FROM EMBARGO TO OSTPOLITIK

THE POLITICAL ECONOMY OF WEST GERMAN-SOVIET RELATIONS, 1955-1980

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Contents

Tables

1

The German problem and linkage politics

I say, as Voltaire said of God, that if there were no Germans we should have to invent them, since nothing so successfully unites the Slavs as a rooted hatred of Germans. Mikhail Bakunin, 1865[1]

[I]f war is too important to be left to the generals, surely commerce is, in this context, too salient to be left to bankers and businessmen.... Another misconception is that the potential for economic leverage, even if it exists, cannot be translated into effective pressure against the Soviets, because they will not make political concessions for economic purposes. In fact, however, only rarely have Western countries attempted to use economic leverage against them.

Samuel P. Huntington, 1978[2]

The German problem has been a major source of instability in European and world politics for over a century. Although it has been resolved for the time being since the normalization of relations between the Federal Republic of Germany (FRG) and its Eastern neighbors in the early 1970s, it could once again become a source of international tension. It is a central issue for Soviet foreign policy. The relationship between Germany and the USSR remains one of the most important determinants of East–West security today. It is therefore vital to understand the process of postwar Soviet–German conflict and rapprochement to outline future developments in East–West relations. Although political questions have dominated the evolution of West German Ostpolitik and Soviet Westpolitik, the economic aspects of the relationship have at times played a significant role in the development of German–Soviet detente, interacting with political issues. This book examines the importance of economic de-

terminants in shaping Soviet and West German foreign policy toward each other.

Unlike Soviet relations with other Western European countries, postwar Soviet-West German relations are unique in that until 1969 neither side would even agree on a common agenda for the conduct of relations or on what the parameters of their relationship should be. As long as the FRG refused to recognize the German Democratic Republic's existence, Soviet-West German relations were particularly strained and complicated, because West Germany's Ostpolitik was largely a function of its *Deutschlandpolitik* (policy toward East Germany). Detente has involved a process of normalizing East-West relations in Europe. Because of the prior hostile state of Soviet-West German contacts, the Soviet-FRG relationship has altered more dramatically than have Soviet relations with other West European countries. Relations with the FRG have always determined Soviet policy toward Western Europe. Hence the special significance of Soviet-West German contacts in the detente era. Moscow's improved ties with Bonn have involved major policy shifts on both sides since 1969 and changes in power relations that are particularly important for the future Soviet presence in Western Europe. Prior to 1969, the USSR and the FRG did not agree on what the rules of their bilateral game should be. Now their relationship is directed toward securing and modifying the rules of that game.

The history of West German-Soviet relations since 1955 is a chronicle of clashes over solutions to the German problem. Traditionally, the German problem prior to 1871 was defined by Germany's weakness and hence its inability to prevent domination by others. After 1871 the main problem was Germany's strength - it was either too strong to be contained by its neighbors or not strong enough to impose its hegemony on the continent.[3] In the cold war era, the German problem had centered on four main questions. First, what was the proper *geographical* location for Germany in Europe? Should it have remained truncated or should it have expanded eastward and recouped its territories of 1937? Second, there was the *division* of Germany. Should it have remained divided or if it were to have been reunified, what kind of government should it have had? Third, there was the role of *Berlin.* Should West Berlin have

been linked to the FRG and if so, in what way? Fourth, there was the question of West Germany's role in the *international* system and its relations with both parts of Europe. By 1973, all four aspects of the problem had been resolved in international treaties, and the nature of the German question was materially altered.

In the formulation and implementation of foreign policy, states have limited resources at their disposal. As part of their attempt to influence outcomes in their favor, states will use whatever bargaining levers they possess. In an asymmetrical relationship, such as that prevailing between the USSR and the FRG after 1949, economic levers have had a special significance for West Germany. The FRG was by far the weaker country in terms of traditional measures of political and strategic power; yet economically it was often in a stronger bargaining position than was the USSR. The normalization of Soviet–West German relations in the last decade involved agreements on the core political questions of the cold war. Although the goals were political, the FRG sometimes used economic means in the process of negotiating with the Soviet Union. This book analyzes the extent to which Bonn succeeded in modifying Soviet foreign policy through the use of economic levers by focusing on three main themes.

Soviet–West German relations: background

The first theme is the development of German Ostpolitik and Soviet Westpolitik since 1955. Soviet–German relations were determined by the political and geographical situation in Europe at the end of the Second World War. Josef Stalin's prime concern after 1945 was to guarantee that Germany could never again threaten the Soviet Union. In his search for security, Stalin was convinced of the need to create a series of loyal buffer states between Germany and the USSR. He was willing to accept a Western sphere of influence in Europe but was intent on controlling the governments of Eastern Europe to ensure their compliance with Soviet goals. Without embarking on a discussion of the origins of the cold war, which have been extensively analyzed elsewhere,[4] suffice it to say that the USSR's definition of spheres of influence was different from that of the West. The United States and Britain considered the Soviet imposition of

communist government in Eastern Europe a breach of the Yalta and Potsdam agreements.

There is some evidence that Stalin was undecided about what Germany's fate should be in 1945. By 1949, however, the USSR believed that the division of Europe could be secured only by the division of Germany into two halves, one of which had to be in the Soviet sphere. In redrawing the postwar map of Europe, the USSR moved westward, annexing parts of what had formerly been East Prussia, and Poland gained parts of Silesia and Pomerania, previously under the German Reich. The boundary of Poland was drawn at the Oder-Neisse line. Altogether, Germany lost 13,205 square kilometers of its territory to the USSR and 101,091 square kilometers to Poland. Apart from losing 24.3 percent of its prewar (1937) territory, Germany was divided into two halves. Berlin was also divided, although it remained under Four-Power control. The main point of contention between the USSR and the FRG after 1949 was the legitimacy of the postwar status quo. The West Germans rejected both the political legitimacy of the German Democratic Republic (GDR) and the geographical legitimacy of Poland's and the USSR's incorporation of territories belonging to the former Reich. They also insisted on maintaining links with West Berlin. The Soviet Union, on the other hand, sought German ratification of the status quo. In the absence of a peace treaty between the two sides, there were no bilaterally accepted rules of conduct.

There were three distinct West German Ostpolitiks in this period. The first was that of Chancellor Konrad Adenauer (1949–63) and was negative and passive until his final year in office. Adenauer's *Politik der Stärke* (policy of strength) was predicated on the premise that the FRG's integration into the West was the precondition for German reunification and also on an uncompromising stance toward the USSR. The issue of German reunification was certainly the most prominent in Adenauer's declaratory Ostpolitik, partly for domestic reasons. Every contact with the USSR in the early years was designed to induce the Kremlin to renounce its control over East Germany and allow Germany to be reunited. Reunification was upheld as the central goal. In his operational policy, however, Adenauer did not act as if reunification was his first priority. Germany's integration into

the Western alliance was far more important for him. Mindful of his constant need to reassure the United States that the FRG was a reliable member of the Western alliance, Adenauer's Ostpolitik consisted largely of the periodic articulation of legal claims, such as self-determination for the "Soviet zone" (i.e., the GDR), free all-German elections, and the *Alleinvertretungsanspruch* - the claim of West Germany to speak for the whole of Germany, because East Germany was an illegitimate state. This became known as the Hallstein Doctrine, whereby the FRG refused to have diplomatic relations with any state that recognized the GDR. This placated domestic opinion, did not threaten the United States by appearing to be an autonomous policy, and was an alibi for prudent inaction.[5] The only concrete result of Adenauer's Ostpolitik was the reluctant establishment of diplomatic relations with the USSR. Adenauer's Ostpolitik was Moscow-oriented. He dealt only with the USSR and refused to pursue contacts with the Eastern European states, whose legitimacy he denied.

Under Chancellors Ludwig Erhard (1963-6) and Kurt Georg Kiesinger (1966-9), German Ostpolitik became more flexible. Bridge building and the "policy of movement" ultimately were unsuccessful in achieving their specific goals, but they implied a degree of reconciliation with the USSR. Instead of dealing only with Moscow, Erhard and Kiesinger tried to woo Eastern Europe. However, Germany refused to ratify the status quo in Europe and continued to deny the legitimacy of most of Eastern Europe's existence. The only concrete achievements of the more active Erhard-Kiesinger Ostpolitik were the establishment of trade missions in Eastern Europe and of diplomatic relations with Rumania. Under Chancellors Willy Brandt (1969-74) and Helmut Schmidt (1974-present), German Ostpolitik has changed dramatically. The FRG since 1969 has been willing to ratify the geographical status quo in Eastern Europe and to renounce its *Alleinvertretungsrecht.* Initially, Brandt realized that he had to revert to dealing only with Moscow. Subsequently, the FRG was able to establish relations with all Eastern European states, including the GDR, and although it retains an ultimate commitment to reunification, it recognizes the impossibility of achieving this goal in the near future.

Soviet Westpolitik since the death of Stalin has been more consistent than has German Ostpolitik. Prior to 1954, one could argue that the USSR was not sure about what course it wanted Germany to pursue or whether it should be reunified. There is evidence that Stalin was flexible on this issue, and yet the maintenance of a loyal East German buffer state was also considered a vital necessity. Although there are few data to support this claim, Khrushchev said in May 1963 that Beria in 1953 was willing to allow the FRG to absorb the GDR, and this was one of the reasons Khrushchev gave for his execution.[6]

Nineteen fifty-four was in some ways a watershed year for Soviet policy toward the FRG. Bitterly opposed to the Paris agreements by which the FRG joined the Western alliance, the USSR was reluctantly forced to accept Germany's membership of NATO as a fait accompli. Once the USSR had accepted the FRG's membership in the Western alliance and had secured German diplomatic recognition, its main goals were to obtain FRG diplomatic recognition of the GDR and the rest of Eastern Europe and an acknowledgment of the legitimacy of the postwar status quo in Europe. This remained a consistent Soviet stance during the regimes of Nikita Khrushchev (1954–64) and Leonid Brezhnev (1964–present). Apart from the 1958–62 Berlin crisis, the USSR has grudgingly been willing to accept that West Berlin has some links with the FRG. Soviet Westpolitik has largely achieved its aims, because the FRG by 1973 had acceded to all the main Soviet demands for ratification of the postwar status quo.

The USSR has had an advantage in the pursuit of its Westpolitik. Russia's Westpolitik was always oriented toward securing a legitimization of the status quo. Whereas the USSR sought ratification, however, the FRG's Ostpolitik was predicated on revisionism – on changing the status quo. In this sense, the Soviets, as the status quo (and the stronger) power, stood a greater chance of success than did the revisionist weaker Germans. The German issue was the main focus of Soviet policy toward Europe. The perceived need to prevent Germany from ever reaching the position in which it had the capability to threaten the USSR dictated Soviet policy toward Eastern Europe and exacerbated the differences that had been inherent in the wartime alliance with the West, that tenuous *marriage de convenance* that proved to be only too ephemeral. The Western Allies

– the United States, France, and Britain – felt equally constrained to supervise West German foreign policy for ten years, to ensure that West Germany could be reborn as a nation in which a commitment to a democratic system of government and an orientation toward the West were better rooted than they had been in the unfortunate Weimar Republic. It was only in 1955, when West Germany became a sovereign state, that the USSR and West Germany were able to begin to develop a bilateral relationship, albeit under the close supervision of the Western Allies.

Linkage politics

In their attempts to modify each other's policies, both the USSR and the FRG sought to link different aspects of their foreign policy. Linkage politics forms the second theme of this book.

Linkages arise when states decide that they can utilize levers and make an economic concession dependent on another state's granting a political quid pro quo, or vice versa. Since the Bolshevik revolution, Western states have tended to assume that, given the USSR's economic problems, it would be willing to make political concessions in return for trade. Linkage politics become particularly significant when obvious asymmetries in power arise between antagonistic nations. During much of the period that this book discusses, West Germany and the USSR were on opposite sides in the cold war and as such had mutually hostile relations. However, their economic contacts, meager though they were, implied a degree of normality and cooperation absent from their political relations. This asymmetrical situation of confrontational political relations and potentially cooperative economic relations was the environment that facilitated a policy of linkage. As unequal antagonists, both the USSR and West Germany were able to use reward power.[7] In a dynamic relationship that includes both political and economic contacts, linkage involves changing interactions between different levels of interstate relations. The possibility of linkage was always there, but the character of linkage altered as relations became normalized.

An analysis of the politics of West German–Soviet economic relations is comprehensible only in the context of the general

environment in which they operated. West German–Soviet trade was largely determined by general East–West economic interactions. East–West economic relations are distinguished by four basic features that differentiate them from all other international economic transactions. First, they have taken place between two antagonistic, hegemonic political blocs confronting each other as ideological adversaries. Although they were initially dedicated to each other's overthrow in the early years of the cold war, their enmity has somewhat dissipated, although both sides remain wary of each other's future goals both inside and outside Europe. The era of detente has signaled a willingness to cooperate in some areas but by no means an end to the basic enmity. Second, not only have the political systems in the East and the West been antagonistic, but their economic systems have been very differently organized, creating problems. Capitalism, based on the more or less free play of the market and with some commitment to free trade, has faced socialism, in its guise of state-controlled economies, with rigid centralized planning and pricing policies that bear little relation to cost factors. Third, there has been a great asymmetry between the economic development of the two blocs, such that East–West trade has always been and continues to be mostly complementary, involving the exchange of raw materials for advanced Western technology. Fourth, despite the antagonism between the two blocs, the existence of a nuclear stalemate has meant that hostilities have had to be conducted by methods other than outright war. In much of the cold war era, trade was the continuation of politics by other means.

Soviet–West German relations are a particularly salient example of the interrelation of politics and economics because of their prior history of economic interdependence. The long tradition of economic relations between the two countries meant that both economies were oriented toward trade with each other, and there was a certain complementarity of interests. Even when political relations were bad in the prewar days, economic relations were relatively good. A few statistics will show how important trade with Germany was to Russia (it was always more important to Russia). From 1858 to 1862, imports from Germany formed 28 percent of Russian imports, and exports to Germany formed 16 percent of Russian exports. From 1868 to 1872, the

figures were 44 and 24 percent, respectively. In 1914 - the best year - the figures were 47 and 29 percent. In 1923, they were 25 and 30 percent; and in 1932 they were 47 and 18 percent.[8] By contrast, 5.3 percent of the USSR's trade was with the FRG in 1979.[9] There was a tradition of Soviet admiration for German achievements, particularly in the field of economics.[10] German-Soviet trade has always been characterized by the export of advanced industrial goods from Germany in exchange for raw materials from Russia. There have also been the special asymmetries of a medium-sized, highly developed country, for which foreign trade is an important part of its GNP (roughly 30 percent), trading with a large, relatively backward country for which foreign trade forms only 5 percent of the GNP. This asymmetry has had both advantages and disadvantages for Germany. On the one hand, Germany has greater leverage in international trade than does the USSR. On the other hand, it is more susceptible to economic pressure from the outside.[11]

These are the reasons why linkage politics were both possible and feasible in FRG–Soviet relations. Based on these premises, it is possible to analyze the dynamics of German–Soviet relations in terms of four linkage strategies. These are four different ways of describing the possible uses of economic and political levers in a bilateral relationship, and they have all been used at various times during the 1955–80 period.

1. The first strategy is negative economic linkage, involving the use of *negative economic means* in the pursuit of political goals. In other words, country A indicates to country B that it will not sell B a particular commodity, or not trade at all with B because it disapproves of B's foreign policy. Trade denial is the most usual form of negative economic linkage. This linkage can be either general or specific. In other words, country A can deny country B some economic good because it disapproves of B's general policy, or it can deny the trade because of some specific foreign policy act by B, for instance, the U.S. technology embargo following the Soviet invasion of Afghanistan. The negative linkage could also be a response to domestic political developments in B, such as the U.S. Congress's denial of Most Favored Nation status to the USSR because of its Jewish emigration policy.

2. The second strategy is positive economic linkage, involving

the use of *positive economic means* in the pursuit of political goals. In this situation, country A uses trade inducement - offering country B something it wants - in the expectation that this will persuade B to modify aspects of its policies. Again, this linkage can be general or tied to a specific political quid pro quo, and could be directed toward country B's modifying its foreign or domestic policies.

3. The third possible strategy is negative political linkage, involving the use of *negative political means* in the pursuit of economic goals. In this scenario, country A pursues a more hostile policy toward country B than heretofore because it disapproves of B's foreign economic policies. The linkage can be general or specific.

4. The fourth strategy is the opposite of this. It is positive political linkage, involving the use of *positive political means* in the pursuit of economic goals. In this case, country A agrees to make a concession in its foreign policy toward country B in return for B's altering its foreign trade policy. The concessions can be general or specific.

This book will describe how all of these categories have applied at one time or another during the period and will explain why different strategies were valid at different times. On the basis of the evidence, it will suggest the environment in which similar situations might arise again, and it will evaluate the success of the use of these various negative and positive political and economic levers. Of course, trade and politics can develop as separate processes even if trade is politically motivated. Linkage occurs only when a country explicitly makes economics and politics interdependent. Moreover, economic and political relations can affect each other without conscious linkage strategies.

There is a major caveat involved in attempting to differentiate between negative and positive levers. The interaction of economic and political factors is complex, and it is not always easy to distinguish unambiguously between cases in which a lever is used negatively or positively. Linkage, like beauty, is often in the eye of the beholder, and the same lever can be interpreted as either positive or negative depending on the particular perceptions involved. We shall try, wherever possible, to differentiate between trade inducements and trade denial in specific instances, but sometimes the intricacies of the situation will blur

fine distinctions. On occasion, the USSR and the FRG have used similar levers in mirror-image fashion, and the identification of negative or positive levers depends on discovering who initiated the linkage strategy.

In any discussion of the use of linkage strategies, one of the most important questions is who sets the agenda. Before we can develop a viable analysis of the use of levers in foreign policy, we must ascertain which country has the power to define the framework in which the linkage is made and can initiate such linkage. The kind of linkage that is used will be determined by the environment that establishes the terms of the relationship. In the case of West German–Soviet relations, the question of agenda setting is complex and involves various levels. The bilateral FRG–USSR relationship for much of the period operated within a larger three-party game. Until Willy Brandt's accession to power, German foreign policy, particularly its Ostpolitik, was subject to American control, and any initiatives were taken only with American approval. It was often the U.S.–Soviet relationship that set the agenda for the West German–Soviet relationship, most strikingly in the case of the pipe embargo of 1962, it was the United States that initially made the issue of trading with the USSR so controversial for the West.

To understand how trade becomes politicized, we can imagine a situation in which country A is in a position of power over country B. That is, it is less interested in trading with B than vice versa, from which it derives this power. *Primary* politicization occurs when A determines in what way it might utilize B's desire to trade with it by demanding certain political concessions from B. Politicization, in this sense, means placing economic issues on the political agenda between A and B. The situation may alter and B may subsequently become less interested in trade with A, but once A has set the agenda, B will probably react to subsequent situations essentially in the form spelled out by A's initial definition of the parameters of politicization. Thus, it is likely that, even if B is now in a position to link economic relations to political concessions from A, it may well define politicization – in this case, *secondary* politicization – in terms that are derived from those set by A. Thus, A has begun a chain reaction in which the initiative in the politicization of economic relations may shift

from A to B, but in which the stakes involved in the politicization are likely to derive from the initial agenda setter. This places the actor who first politicizes trade in a strategically advantageous position.

Primary and secondary politicization are important aspects of agenda setting in international politics. However, domestic politics also influence agenda setting. Foreign policy consists of two discrete processes - policy formulation and policy implementation. In a pluralist society, the process of policy formulation is complex and involves inputs from many different domestic groups. In communist societies we have evidence that bargaining among various sectors of the leadership also exists, but it is far harder to document this process. However, the agenda for linkage, involving as it does both government and business in pluralist societies, is often determined as a result of domestic bargaining. The domestic group that has the most power will probably set the agenda, but different groups will predominate depending on whether it is economic or political levers that are being used in the pursuit of foreign policy goals. In this sense, trade can be politicized when the government interferes with the business sector. Agenda setting is therefore both an *international* and a *domestic* issue.

During the period covered by this book, West Germany enjoyed predominant economic bargaining power over the USSR and was generally the initiator of economic linkage strategies. For this reason, the USSR sought to avoid any such linkage because it had to respond to Bonn's policies. On the other hand, the USSR, as the predominant political power, initiated political linkage strategies to which Bonn had to respond. Thus, both sides preferred to operate in an environment in which they could be the initiator of, rather than the respondent to, a linkage strategy.

The domestic roots of linkage

The question of domestic politics of linkage forms the third main theme of this book. The book examines the problem that all pluralist societies face in pursuing a foreign policy of linkage, whether negative or positive, political or economic. There is a limit to how much any Western government can tell its business community what to do. We shall discuss the relationship of West

German business and government in the linkage question and examine the role of economic and political interest groups in formulating foreign policy and setting the agenda.

There will be an asymmetry, however, in considering the role of various participants in the FRG. There will be a tendency to disregard the role of nongovernment actors in political questions and to examine them more closely in economic transactions. The reason is that for most of the time covered by the book, the political climate between East and West was so hostile that there was little room for nongovernment actors to exercise any influence.

As Arnold Wolfers has indicated, "the closer nations are drawn to the pole of complete compulsion, the more they can be expected to . . . act in a way that corresponds to the deductions made from the states-as-actors model."[12] It seems that nongovernment actors can play a more significant role when political relations are flexible enough to permit a variety of contacts. In the East–West situation, only after a relative relaxation of central political controls could these actors have more leeway. In an environment of intense ideological and political antagonism, the room for maneuvering was far smaller.

Although it is comparatively easy to identify West German transnational and nongovernment actors, any discussion of nongovernment Soviet actors is fraught with difficulties. This is not to say that Soviet society is a monolith. Since Stalin's death, there is increasing evidence of disagreements within the Soviet elite, and yet any attempt to identify specific interest groups or pluralist enclaves within Soviet society is difficult and remains largely within the realm of speculation. Political participation in the USSR is largely directed from above and does not represent genuine popular initiative. It is consequently problematic to identify autonomous sources of power or interest coalitions. Furthermore, although interelite bargaining undoubtedly takes place, these elites do not amount to interest groups in the Western sense of the word. These groups lack the necessary sanctions or "clout" to make their opinions felt if these views are opposed to those of the party leaders. The USSR remains a closed society, hierarchically controlled and organized, and unfortunately we lack systematic evidence on differences of opinion on foreign policy between specific groups, although anecdotes abound.[13]

There have been a variety of East-West nongovernment contacts in the cultural and economic spheres - trade union delegations, student and cultural exchanges, various friendship societies and discussion groups, and delegations of Western businessmen to the USSR. It is unclear what, if any, political significance these kinds of exchanges have had, although they may have had some economic importance. In terms of Soviet society, one cannot call these groups independent nongovernment actors. Because all official Soviet delegations that have contact with foreigners are carefully chosen by the party organs, it is debatable whether these formally nongovernment actors are indeed distinguishable from the government (and by implication the Communist Party) in the views that they put forward and in the freedom of maneuver and access to channels of influence that they have. In a society as highly centralized and stratified as the USSR, when insulation from foreigners until the detente period was fairly complete, the number of channels open for nongovernment foreign contacts were severely limited.

Although there will therefore be some asymmetry in considering the actors in Soviet-West German relations, we shall discuss the growing importance of economic interest groups in the formulation of West German foreign policy. As economic relations have become depoliticized since detente, the government has relaxed its control over business groups' freedom to negotiate economic contacts with the USSR. Certain economic groups in the FRG have come to play a more important role as foreign policy actors and have sought to insulate trade policy from negative political influences.

In the last decade, the economic content of Soviet foreign policy has become more marked, and it is generally agreed that economic determinants have grown in relative importance in the formulation of Soviet policy toward Europe. This increasing salience of economics in foreign policy has been matched by what appears to be the growing influence of the "managerial-technologist" group on Soviet policy.[14] The evidence suggests that the economic elite has been pressing for normalization of relations with the FRG and, like its Western counterparts, has sought to insulate trade from political interference.[15]

There is a central irony in any comparison of the feasibility of implementing linkage strategies in socialist and capitalist